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CONFIDENTIAL
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PRIORITY

FOREIGN SERVICE DESPATCH

747
DESP. NO.

FROM: AMEMBASSY, GUATEMALA

TO: DEPARTMENT OF STATE, WASHINGTON.

DECLASSIFICATION DATE 11/22/77 ---- Issued to

ER Platt OFFICE ARA

FDRC FOI CASE NO. 64025 Action Taken 3-9-54

DATE March 1, 1954

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	REC'D	3-5		OTHER USIB-5 Actions ARMY-3 NAVY-39 AIR-24

SUBJECT: Joint Weeka No. 6 For State, Army and Air Departments, From SA.

Name of Officer Action Office

SUMMARY

FILE Ga-13 OCB-1 OSD-2

DC/R Central Files

714.00(W)/3-154

The Guatemalan delegation to the Caracas Conference left this week as the Arbens Administration and its supporters completed preparations here and abroad to counter any action at the Conference aimed at Guatemalan Communists. Before leaving, Foreign Minister Guillermo TORIELLO, chief of the delegation, publicly committed himself to rejecting any resolution which would infringe on Guatemalan sovereignty under the "pretext" of fighting Communism, and indicated that, if necessary, Guatemala would defend itself with counter-charges against "foreign intervention."

On the diplomatic front, ex-President Juan José AREVALO sought to further Guatemala's case by calling on President Victor PAZ Estenssoro in Bolivia, and Minister of Economy Roberto FANJUL flew to Mexico at the head of a Guatemalan delegation to address the "Society of Friends of Guatemala" there. Other such Societies were busy organizing meetings in support of Guatemala in Chile, Bolivia and Panama. At home, the "anti-interventionist" theme not only continued to dominate the Administration press, but also provided a bitterly anti-United States keynote for the First National Youth Festival and a rally to commemorate César Augusto SANDINO, the Nicaraguan revolutionary assassinated after the U.S. Marines left Nicaragua in 1934.

President Arbenz chose the week to announce the expropriation of a further 174,000 acres of United Fruit Company land, apparently timing the move so as to focus Latin America's attention as far as possible on the UFCO-Guatemalan difficulties and thus remove the spotlight from the Communist issue.

FOREIGN AFFAIRS

Guatemalan Delegation Leaves For Caracas: Before leaving for the Caracas Conference with the Guatemalan delegation on February 24, Foreign Minister Toriello told reporters that "We will know how to defend ourselves" against any attack against Guatemala in connection with the anti-Communist item on the agenda, and promised that

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APR 30 1954

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Guatemala would renew the denunciations of "foreign maneuvers" against it which it had previously made at the United Nations. He said that Guatemala would not accept any resolution which tended to impair the national sovereignty.

Toriello also said that the agenda item on "Colonies and Occupied Territories" was most important to Guatemala because of its claim on Belize (British Honduras) and announced that Guatemala would have proposals to make about revising treaties on the right of asylum, a right which it would continue to support.

Guatemalan Campaign to Obtain Support at Caracas: During the final phase of the Guatemalan Government's studied campaign to obtain Latin American support at Caracas, ex-President Juan José Arévalo visited Bolivia in the third week of February, called on President Victor Paz Estenssoro and delivered a number of addresses there on the theme that the Guatemalan Government was not under Communist domination but was engaged in carrying out a series of needed social reforms. J. Roberto Fanjul, Minister of Economy, Guillermo OVANDO Arriola, President of Congress, Alfonso BAUER Paiz, Manager of the National Agrarian Bank, and a group of other Guatemalan leaders flew to Mexico City to address a rally of Senator Pedro de ALBA's "Society of Friends of Guatemala" on February 21. President Arbenz addressed a letter to ex-President Lazaro CARDENAS of Mexico, thanking him for his public support of Guatemala. "Society of Friends of Guatemala" in Santiago, Chile, planned a rally on February 23, and other "Societies of Friends of Guatemala" were active in Bolivia, Panama and possibly other countries. At home Guatemalan political figures and the Administration press continued to demand that Guatemala use the Caracas Conference to denounce an international conspiracy against the Arbenz Administration. Victor Manuel GUTIERREZ, Communist Secretary General of the CGTG, stated in an address on February 19, "Guatemala will not go to Caracas to sit on the bench of the accused, but to raise its accusing voice against the international conspiracies which seek to strangle the liberties of the people."

President of Costa Rican Congress Visits Guatemala: Gonzalo FACIO, President of the Costa Rican Congress and close associate of President FIGUERES, arrived in Guatemala on February 22 and subsequently called on Foreign Minister Toriello and President Arbenz, reportedly for the purpose of discussing the Communist problem with them. A report from our Embassy in San José indicated that Facio believed he had made progress toward having the Guatemalan Government get rid of the Communists, but there was no indication whatever here that President Arbenz was so disposed.

AMERICAN INTERESTS

174,000 More Acres Expropriated From United Fruit Company: The press on February 24 announced that President Arbenz had rejected the United Fruit Company's appeal against the order of the

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National Agrarian Council of August 6, 1953 expropriating 174,000 acres of the company's land at Bananera on the Atlantic slope and the expropriation will thus go into effect. With this expropriation the UFCO will have lost a total of over 400,000 acres since the Agrarian Reform Law was passed in 1952.

The timing of President Arbenz' confirmation of the expropriation of the company's Bananera properties may well have been calculated to provoke a strong reaction from the U.S. Government on the eve of the Caracas Conference, and thus to strengthen the Guatemalan Government's contention that the main issue between the U.S. and Guatemala is not Communism but the protection of U.S. companies.

Guatemalan Government Gives Interim Report to the Department's Aides Memoire on UFCO Expropriation: On February 22 Foreign Minister Toriello handed the Ambassador an aide memoire dated February 19 stating that the Guatemalan Government was studying the Department's aides memoire of August 28, 1953 and February 5, 1954 concerning the expropriation of UFCO properties on the Pacific slope and was confident that a reply would be prepared at an early date.

UFCO Labor Difficulties: Meanwhile the UFCO continued to be involved in labor difficulties as the company's dock workers at Puerto Barrios denounced their collective labor contract to seek a wage raise, and the Labor Court of Appeals continued to attempt informal conciliation of the long-standing labor dispute between the company's banana plantation workers in the company's Atlantic Division (Weeka 52, Dec. 23, 1953).

DOMESTIC AFFAIRS

Major Martínez, Chief of the National Agrarian Department, Returns From Europe: Major Alfonso MARTINEZ Estevez, Chief of the National Agrarian Department, returned to Guatemala on February 21 from Switzerland after being mysteriously absent from this country since January 16 (Weeka 3). In a press interview he denied strongly that he had broken with President Arbenz and stated he had gone to Switzerland for a physical check-up and had stayed in a rest home there. Major Martínez saw the President shortly after his return, and told the press that he would continue to apply the Agrarian Reform Law in a "non-partisan" manner.

Anti-American Rally in Commemoration of Sandino's Assassination: As part of the strident domestic campaign against "Yankee intervention" being conducted by Guatemalan leftist elements prior to the Caracas Conference, a rally was held on February 22 in the park before the National Palace in commemoration of the 20th anniversary of the assassination of Augusto César SANDINO, the Nicaraguan revolutionary, and speakers closely identified with the Arbenz Administration openly blamed the assassination on the U.S.

Marine occupation of Nicaragua. One unidentified speaker was reported by an American who attended to have gone so far as to allege that Mr. Arthur Bliss LANE, Minister to Nicaragua in 1934, had stood over Sandino's corpse on Managua's streets and turned up his eyelids to see if he were really dead. Dr. Julio HERRERA, Minister of Health, attended the rally as President Arbenz' personal representative, and Jaime DIAZ Rozzotto, Secretary General of the Presidency, and Víctor Manuel Gutiérrez, Communist labor leader, were among the speakers.

Communist-Inspired "First National Youth Festival": In another aspect of the "anti-interventionist campaign" a first national youth festival was held on February 20-22 at the "Alameda" school in Chimaltenango with the presence of a claimed 1300 delegates from the Communist-front Alianza de la Juventud Democrático de Guatemala (AJDG), and other youth organizations. The Festival was organized by a committee headed by Hugo BARRIOS Klée, Communist Deputy Inspector General of Labor, and the speeches dwelt especially on the danger of "American imperialist intervention." Among the principal speakers were Edelberto TORRES Rivas, AJDG Secretary General, and José Alberto QUINONEZ, representative of the Communist-front students' organization, FUD, both of whom spent some months behind the Iron Curtain in 1953. The Government's backing of the Festival was shown not only by the favorable publicity it received in the government press and by the use of the government school, but also by the fact that the National Symphony Orchestra and the National Ballet were sent to perform for the delegates.

LABOR

Third CNCG Congress: The Confederación Nacional Campesina de Guatemala (CNCG), the national peasant organization, held its Third Congress on February 18-21 and reelected Leonardo CASTILLO Flores, a fellow traveler who visited Moscow in November, 1953, as its Secretary General. Among the 30 resolutions passed by the Congress was one calling for a denunciation of the "conspiracy" against Guatemala at the Caracas Conference, and another supporting the Communist Partido Guatemalteco del Trabajo's call for a "united front." The Congress also ratified the CNCG's affiliation to the CTAL and the WFTU.

MILITARY

Lt. General Craig, Chairman of Inter-American Defense Board, Meets Arbenz: On February 15, Lt. General Howard A. Craig, as Chairman of the Inter-American Defense Board, talked with President Arbenz for 20 minutes on Guatemalan participation in the Inter-American Defense plan, and had separate meetings on this subject with the Chief of the Armed Forces, the Minister of Defense, and the Chief of Staff. He was told Guatemala is still studying the

plan (as it has been for two years) and was not prepared to ratify it at this time. Only in the meeting with the Chief of Staff, Colonel PARINELLO, was the question of obtaining arms from the U.S. raised.

Hubert F. Julian Returns to Guatemala: The arrival of "Colonel" Hubert F. JULIAN, the "Black Eagle," in Guatemala on February 19 again underscored the efforts which Guatemala has been making to obtain arms from Europe to substitute for the arms it cannot obtain in the U.S. Julian has acted as a Guatemalan arms purchasing agent, but the purpose of this trip is unknown.

Union of Lot Buyers Asks For Military Training: In a petition to the Superior Council of National Defense, the Union of Lot Buyers (UCL) affiliated with the Communist-controlled CGTG requested that obligatory military instruction be given to the public to prepare them for any attempted foreign intervention. This petition paralleled the announcement made at the time the Agrarian Reform Law was passed in 1952 by Carlos Manuel PELLECER, the Communist labor leader, that "Shock Brigades" would be formed within the labor unions. These announcements appear thus far to be only of a propaganda and preparatory nature, for despite recurrent rumors of para-military workers' units, no creditable evidence whatever has thus far turned up that workers have actually received unit military training.

FOR THE AMBASSADOR:

William L. Krieg
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Colonel A. E. McCormick

cc: C.A. Missions & Routine

PRIORITY — UNCLASSIFIED — CONFIDENTIAL

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY GUATEMALA — DESP NO. 965

TO : THE DEPARTMENT OF STATE, WASHINGTON — DATE May 22, 1954

REF :

DEPT. OCR/R-2 ARA-2 S/MSA-1 MC-1
OTHER ARMY-35 NAVY-32 AID-24 OSD-4

Subject: Guatemala's Foreign Relations for May 1954 (Department of State, Army, and Air Departments from U.S. Embassy Guatemala)

DECLASSIFICATION DATE [illegible]

PER [illegible] OFFICE [illegible]

FBIHQ FOI CASE NO. [illegible]

The arrival on May 17 at Guatemala's Atlantic coast port, Puerto Barrios, of the Swedish vessel ALTHEM, with an estimated 2,000 tons of arms from behind the Iron Curtain, and the Guatemalan Government set off a series reaction which raised prospects of involving Guatemala in serious international difficulties. The Department in a press release on May 19 has considered the arrival of the arms a development of gravity; Spruille Braden in a speech before Latin American diplomats in Washington the following day suggested action under inter-American agreements; and in reply Guatemala's Foreign Minister Guillermo TORIELLO denounced what he called aggression against Guatemala in a statement to the press on May 20. In private talks with diplomats Sr. Toriello reportedly threatened to take Guatemala's case before the Security Council of the United Nations unless "attacks" against this country ceased. Guatemala's international situation deteriorated on another front when Nicaragua broke off diplomatic relations alleging, among other things, that the Guatemalan Embassy in Managua had distributed Communist propaganda.

American business interests in Guatemala continued under fire as the labor union on the United Fruit Company's east coast plantations under the guidance of the Communist labor leader Carlos Manuel PELLECER went on strike, and Pellecer, anticipating decisions by the workers, announced that a series of progressive strikes would begin next week on the company's west coast farms at Tiquisate. Both actions appeared designed to support the strike of Fruit Company employees in Honduras. Meanwhile, the Guatemalan Government appointed an Interventor to oversee the liquidation of the Grace and Company subsidiary, [illegible] which operated the small Pacific coast port of [illegible] whose concession expired May 1. This was presumed to be a step toward realizing the Guatemalan Government's oft expressed desire to have its ports under local control.

INTERNATIONAL AFFAIRS

ALTHEM Affair: Guatemala faced the prospect of serious international difficulties as a result of the well-publicized arrival on May 17 at Puerto Barrios of the Swedish vessel ALTHEM bringing a cargo of [illegible]

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NARS, Date 4-27-76

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2,000 tons of armaments embarked at the Polish-controlled port of Stettin. It has been assumed locally that the arms came from Czechoslovakia and that their purchase was arranged by Major Alfonso MARTINEZ, trusted lieutenant of President ARBENZ, on his trip to Europe last January (Weeks No. 3); there was no confirmation of either supposition, however.

No pains were spared to assure the unheralded arrival of the vessel, the rapid discharge of the cargo and the safe transport of the arms to Guatemala City. The ship travelled by a circuitous route and its officers allegedly did not receive word of their true destination until two days before arrival. Col. José A. SANCHEZ, Minister of Defense, and Major Martinez waited several days at Puerto Barrios to be present when the ALFHEM arrived and personally supervised the unloading. Security precautions were thorough: soldiers denied access to the pier to unauthorized persons and escorted the trains which carried the boxes to the capital city, and foreigners visiting the port were kept under surveillance. Press photographers who tried to take pictures had their film confiscated, and Army officers observed great discretion in talking with civilians. As a result, the exact nature of the armaments has not yet been ascertained although local rumors have run the gamut from small arms to atomic bombs. At week's end, the ALFHEM was still being unloaded, but work was expected to be finished in a few more days.

The only incident marring the well organized transport of the munitions was an abortive attempt in the early hours of May 20 to blow up a small bridge over which an arms train was passing. Sr. Augusto CHARNAUD MacDonald, Minister of Interior, announced on May 22 that a charge had exploded on a bridge about 16 miles from Puerto Barrios where the railroad passes near the Honduran frontier. The train was not wrecked nor the bridge seriously damaged, but investigations revealed several charges which had failed to go off. The soldiers guarding the train engaged in a skirmish with the would-be saboteurs in which one on each side was killed and three soldiers were wounded. The balance of the raiding party escaped in the direction of the Honduran frontier. In an apparent effort to cast suspicion on the United States or local American companies, Sr. Charnaud MacDonald pointed out in his statement that the type of explosives employed in the attempt was not used by the Guatemalan Government nor, he believed, anywhere in Central America.

Local Reactions: News of the ALFHEM's arrival with its portentious cargo was not published in Guatemala until after the Department's statement describing the shipment as a "development of gravity" was issued on May 17, although word of mouth reports were circulating actively before that time. The Department's release was followed closely by Senator Wiley's proposal that the threat posed by the arrival of these arms be a subject for consultation under the appropriate inter-American treaties and President Eisenhower's statement that the matter was rather disturbing, and these and other U.S. views have been fully reported in the local press. As in most cases where an issue

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is drawn between the United States and Guatemala, the strong nationalistic sentiments shared by nearly all literate Guatemalans have prevented the public expression of any support for the U.S. position. Independent newspapers as well as pro-Government organs strongly asserted Guatemala's right to purchase arms wherever it wished, especially since the United States had consistently refused to sell, and doubted that Guatemala constituted any threat to the security of the Western Hemisphere. Local papers failed to comment on the magnitude of the shipment.

The atmosphere was thus prepared for a characteristically intemperate statement to the press on May 21 by Foreign Minister Toriello who said that the Government of Guatemala considered the alarm which the Department's declarations had attempted to provoke as "unjustified and malicious" and that the information regarding the material acquired for the Army was false. He recounted Guatemala's vain efforts to purchase arms in the United States and elsewhere and said that the Department's attitude seemed to confirm the suspicion that "interested circles in the United States" hoped to wear down the defensive capacity of the Guatemalan Army in order to incite "revolutionary exiled Guatemalans" who were planning armed aggression against this country "with abundant arms and military equipment whose origin is perfectly known." The Foreign Minister went on to say that "governing circles in the United States" had committed an act of aggression against Guatemala by preventing or attempting to prevent the receipt of the elements for its defense and that the policy of encirclement, the military and economic boycott and the systematic propaganda of defamation against a State were also acts of aggression, as serious or more serious than armed aggression. He concluded with assurances that Guatemala was not a threat to anyone since it was a peace-loving nation which followed a policy of non-intervention in the internal and external affairs of other States.

Besides meeting with the press, Sr. Toriello called in the Chiefs of Diplomatic Missions here and presented Guatemala's case orally as well as handing out copies of his press release. He reportedly told some that Guatemala would attend any OAS meeting called to consider Communism in Guatemala but that if the attacks against Guatemala did not cease, he would take the case to the U.N. Security Council.

Nicaragua Breaks Diplomatic Relations: Nicaragua's action in breaking off diplomatic relations with Guatemala could not compete for public attention with the sensational developments connected with the arms shipment. The Nicaraguan Ambassador, Sr. Aurelio MONTENEGRO, and the First Secretary of Embassy and Consul General, Dr. Diego SOMOZA with their families slipped out of the country on May 19 without divulging their intentions to the Guatemalan Foreign Office, and the secret was so well kept that only one newspaper was represented at the airport when they left. However, the Salvadoran Ambassador, Col. Jose Alberto NUNES, and almost his entire staff were on hand in a conspicuously friendly farewell gesture.

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Press reports from Managua attributed the break to the distribution of Communist literature by the Guatemalan Embassy there, but local comment placed more weight on the disagreement between the two Governments over the asylum granted by the Guatemalan Ambassador, Col. Cabino SANTIZO, to persons presumed to be connected with the recent attempt on President SOMOZA's life. The Guatemalan Foreign Office, always sedulous in maintaining its interpretation of the right of asylum, promptly announced that Ambassador Santizo had been instructed not to leave Managua until the individuals to whom he had granted asylum were safely removed to another diplomatic mission, but conflicting reports were received as to whether he had been able to comply.

DOMESTIC

Death of Anti-Communist Leader: The death under suspicious circumstances of Dr. Oscar LUNA, Secretary General of the anti-Communist Workers Committee, increased the nervousness of the already largely intimidated public opposition to the Arbenz Government. Luna's body was found floating, fully clothed, in the waters of Lake Amatitlán a few miles south of Guatemala City on May 16, and unconfirmed reports had it that he had been picked up by the police the previous day in Guatemala City, been murdered and his body thrown in the lake. True or not, this tale did not help the morale of the anti-Communists, and the subsequent news of the arrival of the large shipment of arms for the Government also depressed their spirits.

AMERICAN INTERESTS

United Fruit Company Strike: The union of agricultural workers in the United Fruit Company's Bananera Division on the Atlantic Coast contributed to the general excitement of the week by declaring a strike which began at 6:00 a.m. May 20, and closed down all operations in that division including those of the abaca plantation which is managed by the United Fruit Company for the account of the U.S. Reconstruction Finance Corporation. The strike ostensibly arose out of a demand by the union for a new contract involving wage increases and other benefits in excess of those which the company was willing to grant, but since this dispute has been pending many months its sudden flare up as a strike suggested that the dispute was merely an excuse for a strike to support the fruit company strikers in Honduras. Carlos Manuel PELLECER, the Communist Secretary of Labor Disputes of the labor confederation, Conf. Gen. de Trab. de Guatemala (CGTG), seemed to play a guiding role in the affair, even going so far as to over-rule union officials who in their last appearance before the labor court seemed inclined to consult with the members about proposals which the company made on that occasion, Pellecer declaring that the union had already considered similar proposals and that it was time for the Judge to rule that a strike would be legal.

The union of United Fruit Company workers in its Tiquicate Division on the Pacific have called a special meeting for the evening of

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May 22 to consider action on the Company's alleged violations of its labor pact, although the union has not stated the nature of those violations. The pact does not expire until March 1955. Pellecer informed the press on May 20 that a series of progressive strikes would begin during the week of May 23-30 on the various farms in the Tiquisate Division, a declaration of some interest in that it was made two days before the holding of the union meeting to decide on action on the supposed grievances. Presumably the strike would be illegal but in the prevailing political atmosphere of Guatemala that would be a consideration of small moment.

Dock Workers Negotiate: On the other hand the United Fruit Company appears to be making progress in negotiating a new pact with the union of its dock workers at Puerto Barrios. In recent conversations the Company and the union have moved into fairly close agreement on most of the disputed points, and the discussions have been conducted in a manner indicating a desire by both parties to reach a settlement. One may wonder, however, whether the Communists are staying out of this discussion for the moment so as not to disturb the dock workers while they are unloading the arms shipment.

Grace and Co. Subsidiary at Champerico Intervened: The Government on May 20 appointed an interventor over the Cia. de Agencias de Champerico, S.A., a subsidiary of Grace and Company, Central America, which operates the port of Champerico, Guatemala's second most important Pacific port. The Cia. de Agencias went into formal liquidation on May 15, following the expiration of its charter on May 1, 1954. In going into liquidation the Company stated that if the Government would so authorize, it would continue while in liquidation to load and unload vessels at the port thus offering the Government an opportunity to assure the continuance of the port services. The company has since January 1954 repeatedly petitioned the Government for the renewal of its charter. It is assumed that the intervention will follow the pattern of the intervention of the other Grace and Company subsidiary operating the port of San José where the intervention seems intended as a preliminary to nationalization of the port facilities owned by the intervened company.

In the case of the port of San José, the Government replaced the interventor appointed over the company last month, reportedly on the grounds that he had not treated the company with sufficient harshness.

FOR THE AMBASSADOR:

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Military: Colonel A.E. McCormick
CC: Missions & Routine

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